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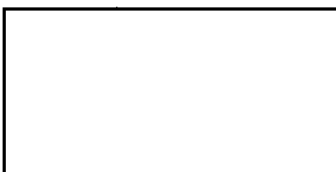
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FAR EAST

2. Rhee fears US may support opposition in presidential election:



President Rhee has become increasingly concerned over the possibility that American authorities may support a candidate other than himself in the 1956 presidential elections, according to Eighth Army reports from Korea. The reports state that Rhee has ordered an investigation in Seoul and Manila of Ambassador Lacy, seeking information as to whether American support contributed to President Magsaysay's election in the Philippines.

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The Eighth Army comments that Rhee may feel he must now weigh the possible advantages of taking an extreme stand in the forthcoming US-South Korean aid negotiations against the possibility of antagonizing the United States to the point where it might work against his re-election.

Comment: Rhee has periodically expressed concern over alleged American support of anti-Rhee political factions. Opposition leaders in Seoul, who associate Ambassador Lacy's presence in Manila with the defeat of the Quirino administration there in 1953, have reportedly interpreted his appointment to Seoul as indicative of American dissatisfaction with the Rhee regime.

SOUTHEAST ASIA

3. Saigon embassy analyzes situation in South Vietnam:

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The American embassy in Saigon believes Premier Diem is moving into the final phase of the effort to solidify his government's authority, a goal to which all other programs heretofore have been subordinated. At the same time, Diem is moving to establish a new base of legality for his government. Evidence of this is provided by the government's efforts to set up an electoral system, and there are indications that the Bao Dai "problem" may be dealt with by an early "referendum."

Diem is ready to move against the Hoa Hao rebels and probably anticipates that success in this effort will isolate the Cao Dai and render other organized opposition ineffective. American military observers estimate Hoa Hao armed personnel under the rebellious commanders General Soai and Ba Cut at 7,000 and 3,000 respectively. Because of logistic difficulties, these forces are considered to have only 30 to 40 percent of the combat effectiveness of the Vietnamese National Army, which now has 21,000 troops deployed in and near the Hoa Hao area. The embassy discounts the possibility of French resupply of the Hoa Hao rebels.

The embassy believes that if the dissidents avoid large-scale engagements, their capabilities can be reduced to traditional small banditry by a three-month 'starve-out' campaign. Otherwise, they can be reduced sooner.

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NEAR EAST - AFRICA

5. Iranian-sponsored defense talks to be held in Iraq:

Iranian acting prime minister Entezam has stated that Pakistan, Iraq and Turkey have agreed to meet with Iran for staff talks to be held in Iraq, presumably at Habbaniya, according to the American embassy in Tehran. The date of the meeting is yet to be agreed on.

According to Entezam, Iraq wants the United States and Britain to participate, or at least to send observers to the meeting.

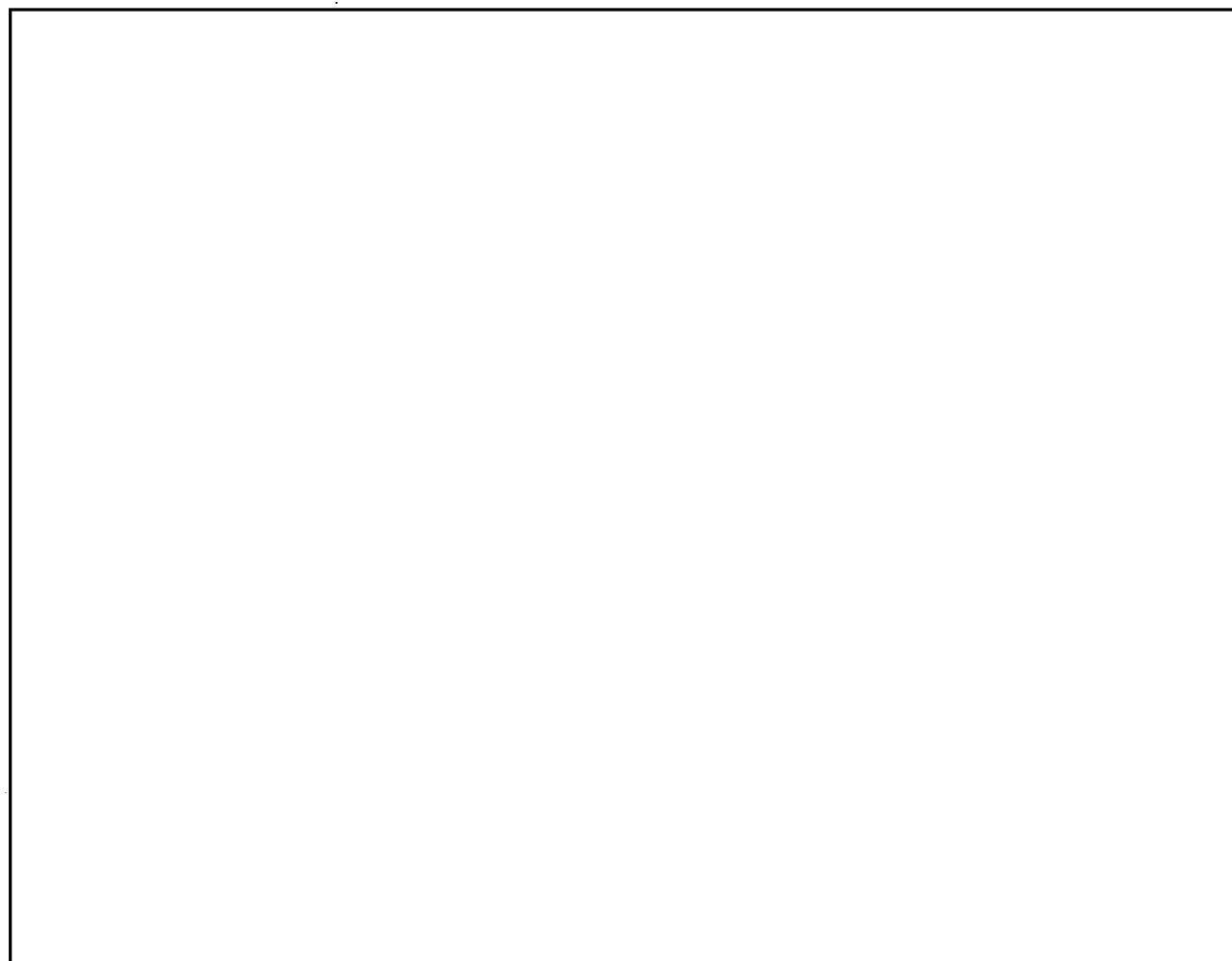
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Iran, however, seems to be proceeding on the assumption that only the four Middle Eastern states will attend.

Comment: The Shah suggested earlier that the talks should be held in Washington and should include the United States and Great Britain. He has apparently abandoned these plans but continues to be anxious for an early meeting to explore Middle East defense planning.

The British have tentatively decided against official participation but may send an observer.

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